

No. 10,280 <sup>3</sup>

IN THE  
**United States Circuit Court of Appeals**  
For the Ninth Circuit

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LYDELL PECK and ALLAN B. RUDDLE,  
*Appellants,*

VS.

SHELL OIL COMPANY, INCORPORATED (a  
corporation), and SHELL DEVELOP-  
MENT COMPANY (a corporation),  
*Appellees.*

**APPELLANTS' REPLY BRIEF.**

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**APPELLANTS' REPLY BRIEF.**

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This action, as was pointed out in plaintiffs'\* opening brief, arose upon the equity side of this Court, and involves allegations of breach of contract, together with prayers therefor and for specific performance, accounting, and damages, as well as such other and further relief as is, in equity and good conscience, meet and proper upon the pleadings and proofs (Tr. 14, 15).

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\*For convenient reference, the appellants and appellees herein will be referred to as "plaintiffs" and "defendants", respectively, the defendant Shell Oil Company, Incorporated, being frequently distinguished as "Shell Oil", and the defendant Shell Development Company as "Shell Development".

**ANALYSIS OF APPELLEES' POSITION AS  
SET FORTH IN ITS BRIEF.**

The defendants to sustain the District Court's decision rely entirely upon the testimony of the Shell Oil's employees and that of their paid expert Dietert educated at the time of the trial, a time when it was very much to the benefit of Shell Oil Co. to have these employees give damaging testimony concerning the value of Cor-Min-Oil.

Plaintiffs on the other hand are content to rely upon the reports, in most instances made by the same Shell employees who testified at the trial, but made at a time when there was no controversy between the parties and at a time when the true worth of Cor-Min-Oil could better be judged; reports that are unbiased and untainted—made as a result of careful work and when the truth would not work to the detriment of Shell's ulterior motives as was the case after this controversy had crystallized into a lawsuit and the matter was one for trial. These reports relied upon by plaintiff are diametrically opposed to the testimony of the witnesses before the District Court.

A complete discussion of these reports is found at pages 13 to 27 of plaintiffs' opening brief and we earnestly request the court to review this discussion at this point.

**SHELL'S PRETENSION THAT BLIND IGNORANCE  
LED IT TO CONTRACT WITH PLAINTIFFS.**

Defendants' attempt to justify the fact that the contract, Exh. B, was undertaken, at the instance of defendant Shell Oil, only after more than three months of study of the product Core-Min-Oil, now contended to be "useless", by saying, in effect (defendants' brief, p. 4), that it was guided by the *ignorance* rather than the skill of its employees. It refers to its expert Spotswood, assigned to the original investigation, as a "mechanical engineer" and as being in ignorance of the real requisites of a successful core oil. Defendants' brief (p. 4) negatively admits that it contracted to market Core-Min-Oil, by saying that, "Shell had the mistaken belief that Ruddle's core oil was ready to be used in commercial foundry operations", following the Spotswood tests made both in the laboratory and at commercial foundries (Tr. 646), and that, "consequently, in order to obtain the alleged benefits from its work, Shell entered into the agreement in suit on April 8, 1938".

Realistically viewed, the situation was simply that Shell Oil investigated Core-Min-Oil in its technical aspects and in foundry application, and found, as recited in the Spotswood reports (Exhs. F-1, Tr. 35, and F-2, Tr. 44), both reports having been made before the contract, Exh. B, that Core-Min-Oil was both "satisfactory" for core manufacture, and that cores prepared from Core-Min-Oil "in CO<sub>2</sub> free ovens can be done in one-third the time required for cores" using the leading market core oils (Tr. 54). Now Shell Oil argues that it was misled by the ignorance

of its own expert, and attempts to escape the contract entered into in consequence of the work of this expert, by saying that he was "ignorant" (defendants' brief, p. 4). Certainly Shell Oil should not here be permitted to seek advantage from its alleged stupidity in selecting as a testing expert, an employee unskilled in the art to which he was assigned. In fact, such a position is specious when adopted by Shell Oil, for it is an affront to reason to believe that a concern of the magnitude of defendant Shell Oil, with a highly skilled and renowned technical staff of its subsidiary, the defendant Shell Development, would assign other than a true expert to a task of the character here, or would undertake a firm and far-reaching contract other than upon the soundest of technical findings.

Reason being thus defied, it is necessary to examine more closely to find the motive which influences the defendants to pretend now that Shell Oil entered into the contract ill-advisedly and on the recommendations of ignorant men of its staff. The motive is apparent when it is remembered that the theory of Spotswood's ignorance and the plea that Shell Oil was a poor, misguided concern when it entered into the contract, was conjured up for the purpose of this case, and not otherwise. It stands beyond challenge that Shell Oil entered into the contract, Exh. B, only after careful technical and field investigation, retained the contract after a further seven-months' option period, and then, and only then, became bound by its burdens which are here sought to be enforced.



**SHELL'S ALLEGED EXPENDITURES.**

At page 5 of its brief, defendant Shell Oil contends that it spent \$16,000 in its work on the core oil project, and as a consequence "confirmed the intrinsic uselessness of Ruddle's core oil" (one of the forms of Core-Min-Oil), and spent approximately a year and three months' time in its investigations of the product and its utility. Defendants state that only after the expenditure of this sum and the time involved, did they determine to cancel the agreement for "lack of consideration".

Reference to defendants' Exh. BBB (Tr. 1916) shows that all charges to the Core-Min-Oil project were included in reaching the figure of \$16,000 as estimated expense, such charges involving not only the work done on the original product Core-Min-Oil, but also the time of such men as Spiri, Wright, and Anderson, who were exclusively engaged in work relating to modifying the formulation of Core-Min-Oil, to the ultimate end of production of the product described in the report of Messrs. Wright and Anderson, Exh. 54.

For example, it is shown that Mr. Spiri (Tr. 1916) worked on Core-Min-Oil continuously from November 15, 1938, to April 19, 1939, and from May 3, 1939 to June 1, 1939, the report, Exh. BBB, stating that this work of Mr. Spiri's "is supported by records maintained" by him. The Spiri reports progressively directed to work on variations in the Core-Min-Oil formula, finally culminating in the report, Exh. VV (Tr. 1874), covering the final foundry operations at

the Axelson Foundry, Los Angeles, California, are set forth in the series of reports, Exhs. QQ to XX (Tr. 1817 to 1901), these reports being dated in the period from the earliest, on January 24, 1939, to the latest, Exh. XX, on June 6, 1939. Illustrative of precisely what was being done by Mr. Spiri in these reports is the following list of albino-asphalt and extract fraction forms of Core-Min-Oil listed in Exh. VV (Tr. 1876):

“Core-min-oil No. 1 55 pen. albino-linseed  
 No. 2 13 pen. asphalt-linseed  
 No. 4 4:1 carbon black  
 No. 5 5:1 “ “  
 No. 6 6:1 “ “ .”

In Exh. WW, the following is said as to other variations in the Core-Min-Oil formula, the report being entitled “Core-Min-Oil”, and being dated May 24, 1939:

“The carbon black sodium silicate core oils have only a limited field of application, mostly in production foundries where similar cores are made and *indirect* fired ovens are available.

“However, the patent situation should be well covered, particularly those ratios of sodium silicate to asphalt which from experience prove to have the optimum friability at the best strength.

“Whatever protection can be realized for the emulsion curbay, emulsion glycerin combination and low pen. emulsion, alone (eventually based on the asphaltine content) will mean actual protection from competition on the open market.

“The same goes for asphalt linseed, albino linseed, and extract linseed mixtures.” (Tr. 1881.)

As to price advantage of Core-Min-Oil over market products, the following is stated by Spiri, in Exh. WW (Tr. 1887):

“The fact should also be considered that foundries usually use a sand to linseed oil ratio of 40:1 and 60:1, very seldom 80:1, whereas our test using an albino-linseed combination, the ratio for higher strength than obtainable with a 40:1 linseed mixture is only 80:1, or in other words, we are able to get by with  $\frac{1}{2}$  gallon of our oil as against 1 gallon of linseed.”

Finally, as to recommendation of two forms of Core-Min-Oil, each varying from the original Ruddle formula, but incorporating the principal of the use of an asphalt base, Mr. Spiri said in Exh. WW (Tr. 1891):

“Meanwhile the two core oils, albino-linseed and asphalt-linseed (the difference being price and cleanliness) could be put on the market and should open a field if sold within the limits of linseed oil.”

Indicative both of patentability and scope of the tests, Mr. Spiri reported, under the title “Core-Min-Oil and Foundry Tests”, in Exh. XX, dated June 6, 1939:

“At a meeting with the Patent Department where representatives of the Asphalt Sales Department and the Emeryville Laboratory were present, recent experiments were disclosed.

“They indicated that it was possible to produce strong and friable cores with low penetration asphalt emulsion.” (Tr. 1901.)

“The tests made in the Berkeley Brass Foundry Company were primarily conducted to have actual proof if the cores made with asphalt emulsion would deform or bend under the influence of the high pouring temperature. The castings made prove that no deformation took place, meaning that the emulsion alone or emulsion with any ingredient retarding bench drying may be used for core making and, if possible, should be patented. The cores were amply strong and had very good friability. All castings were without faults.” (Tr. 1902.)

Finally, in this report, which was directed primarily to albino-asphalt linseed, asphalt linseed, and extract fraction linseed (extract fraction being an asphalt fraction in oil reduction) (Tr. 1903), Mr. Spiri reported:

“Our oils, except No. 5 are best suitable for a production foundry.” (Tr. 1912.)

“Shell Oil Co., Inc., central and eastern territories should investigate the market possibilities and find a real production foundry to introduce our product.” (Tr. 1913.)

Despite the foregoing, it is the representation of defendants in their brief, as above noted, and before the lower court, that these core oils had nothing to do with the Core-Min-Oil project and were independent thereof, and in addition that these oils were purely experimental, offered no market possibilities, and were of no value for market consideration.

The same situation existed in the work of Mr. Wright. His time from August, 1938, to May, 1939,

inclusive, was charged to the Core-Min-Oil project (Tr. 1917). The report, Exh. BBB, states that the justification for assigning these charges for the full time of Mr. Wright to the Core-Min-Oil project, is found by reference to Mr. Wright's laboratory notes and memorandum. These notes are in evidence as Exhs. 53 and 54 (Tr. 1648 and 1682). Reference to the Wright report shows that part of the time he was working with the original Core-Min-Oil formula (Tr. 1653), but that the majority of the work was looking toward modifications of the formula in a manner to produce stable core oil emulsions (Tr. 1649). In the report, Exh. 54, Mr. Wright reports on work done with Core-Min-Oil, utilizing albino-asphalt and asphalt extract fractions in blends with linseed oil (Tr. 1683). It is in these reports that Mr. Wright states the successful results of his work on Core-Min-Oil. For example, at Tr. 1688, he reported:

“The preliminary experiments having indicated that satisfactory core oils could be produced by blending linseed oil with asphalt and extract materials, further experiments were made with blends of materials that are currently available at the refineries.”

It was in this same report, Exh. 54 (Tr. 1684) that the statement was made on September 6, 1939, by way of conclusion, that:

“We believe that sufficient information is given for initial sales promotion work.”

In spite of the foregoing, illustrative of the situation of the single character of the Core-Min-Oil work



of defendants from start to finish, culminating with the successful conclusion of that work in development of products ready for market, defendants say that this work was "completely independent from the work on the Ruddle sodium silicate core oil", and that in this completely independent work, "Shell Development did some work on adulterating linseed oil by mixing it with petroleum products" (defendants' brief, p. 6), while at the same time defendants charged against this project, to attempt to demonstrate good faith, the entire time expended and the entire sum of \$16,000, allegedly spent "in its investigations", which "confirmed the intrinsic uselessness of Ruddle's core oil" (defendants' brief, p. 5).

It is interesting to note that defendants, in spite of the foregoing, pretend that they have adequately sustained their efforts to produce a commercially successful core oil under the terms of the license, by having spent some eighteen months and \$16,000 on this work, but that a review of the reports of defendants' technicians and experts discloses that substantially all of the time from April, 1938, the date of contracting, to and after the date of attempted cancellation, in July, 1939 (Exh. D), defendants were engaged in the work which led to the production of the albino-asphalt or extract-fraction asphalt core oils described in Exh. 54, and found so satisfactory in the foundry tests reported by Mr. Spiri in Exh. VV. All of the charges for this latter work are included in the figure of \$16,000 and in the time period spent, but, nevertheless, at page 6 of their brief and elsewhere, defendants

argue that the work on these variations in the Core-Min-Oil formulae, and the results obtained as a consequence thereof, had nothing to do with Core-Min-Oil and were “completely independent from the work on the Ruddle sodium silicate core oil”. In other words, defendants argue that the time and money expended in this allegedly “completely independent” work indicate their good faith in performance of the contract, and at the same time, blowing hot and cold, argue that this work is outside of the contract and independent of this action.

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#### DEFENDANTS' CONTRACTUAL BREACHES.

The burden of plaintiffs' position is that defendants either should have undertaken at the outset of the contract term, to sell Core-Min-Oil in its original form, found to be wholly satisfactory in the Spotswood tests (Exhs. F-1 and F-2), or if defendants elected to spend their time improving the product, they should have, upon completion of the efforts in that direction (characterized in Exhs. VV and 54) forthwith undertaken to market that product, perhaps in addition to the original formula of Core-Min-Oil. The breach of contract, for which relief is sought in this proceeding, arises from defendants' failure even so much as to attempt to sell Core-Min-Oil in its original form, and their refusal to do so, coupled with their similar refusal to attempt to sell the admittedly superior and highly marketable forms of Core-Min-Oil disclosed in the reports, Exhs. VV and 54. For the palpable

breaches of contract reflected in these refusals, plaintiffs argue for either specific performance or damages, and ask, since this is a proceeding in equity, that the Court, dependent upon the form of relief granted, direct full relief as the facts may warrant.

The trial court, in what is here urged to be error, ignored these uncontroverted propositions and took the position merely that Core-Min-Oil in its original form was commercially useless, wherefore plaintiffs are entitled to no relief. The trial court only passed upon the issue as to Core-Min-Oil in its original form, and in doing so disregarded the reports of defendants (Exhs. F-1 and F-2) to the effect that Core-Min-Oil was readily marketable in its original form and was marketable in huge quantities (up to a hundred-million gallons annually, Exh. CC) in the form disclosed in the later reports, Exh. VV, prepared just before attempted cancellation, and Exh. 54, prepared shortly after cancellation.

The findings of the trial court have the effect of condoning the fraud of defendants upon plaintiffs, to the end of giving to defendants complete relief by exonerating them from the burdens of the contract, Exh. B, and yet permitting them to keep all of the advantages arising from the existence of the contract in the original instance.

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**SHELL'S "EXPERT" DIETERT.**

The only witness offered on behalf of defendants at the trial who was not an employee of defendants



during the period of active work by defendants under the contract, Exh. B, and one of those who reported the successful efforts of the defendants to produce a superior competitive core oil, was an alleged "expert" in the core oil field, one Harry W. Dietert. Mr. Dietert was imported by the defendants from Detroit (Tr. 686) as a professional hireling of defendants, and assigned to the task of substantiating, *after the event*, the determined purpose of defendants to prove Core-Min-Oil "useless" in order to lay a foundation for the vitiation of the contract, Exh. B. Mr. Dietert was hired shortly before the trial (Tr. 794) and spent just a little over four weeks preparing for his testimony, being paid on a handsome per diem (Tr. 794). Since the defendants throughout their brief rely almost entirely on Mr. Dietert to establish the proposition that Core-Min-Oil in any form is without utility, it is interesting to set forth his qualifications which are described by defendants as making him "an expert in core oils" (defendants' brief, p. 6). In their brief (p. 23) defendants state:

"Mr. Dietert's qualifications to testify as an expert in the core oil field consist of more than twenty years actual experience in foundry practice. \* \* \* Thus, this expert in addition to having a very excellent technical education also had a most enviable career in the practical operations of foundry practice."

In fact, the only "foundry experience" in core making of Dietert was a few months in college in experimental work (Tr. 688) and as a research and consulting engineer for the United States Radiator Cor-

poration (Tr. 690). None of this work was practical foundry operation in any sense nor demonstrated any knowledge on the part of the witness of actual core-making practice, as such, in foundry operation. The best that can be said for Mr. Dietert is that he has had some experience with grading and testing of sand (Tr. 689) and has counseled, in a research capacity, foundry operations on sand mixes.

The testimony of the witness Dietert is peculiarly unentitled to weight or consideration in the premises, in the light of the fact that it is based exclusively upon *ex parte* experiments conducted for the purpose of reaching predetermined results. In this case the Dietert experiments are in direct contrast to the results found by practical foundrymen, as testified to by the plaintiffs' witnesses, Goth and Anaclario, and, as well, are in direct contradiction of the findings of defendants' own laboratory and foundry technicians, as set forth in the Spiri and Wright reports, Exhs. QQ to XX, and 53 and 54. Later in this brief, the applicable law in such a circumstance, together with a direct comparison of the Dietert experiments, with the facts as established in the last-mentioned testimony, will be reviewed in some detail.

In addition, the law indicative of the skepticism with which courts generally, and this Court in particular, receive such paid professional testimony will be reviewed.

## DEFENDANTS' ABANDONMENT OF OPERATIONS.

At page 6 of their brief, defendants frankly state that Core-Min-Oil had been developed to a saleable point and was ready for "sales promotional work". The contract, of course, at such a point required defendants to undertake to sell the product, but at page 7 of their brief, defendants blatantly and without any justification say:

"During all of the time that Shell was engaged in its work with core oils, of any type or description, they never sold a single gallon."

This last is perfectly true and is the aegis of plaintiff's complaint and prayer for relief in this cause.

The contract, Exh. B, provided expressly that defendants should diligently attempt to sell Core-Min-Oil (paragraph 2, Tr. 18), and that the term of the contract was to "extend until the expiration date of the last issued patent owned or controlled by Peck or Ruddle covering Core-Min-Oil" (paragraph 14, Tr. 22). The contract further provided that defendants might terminate the contract at will "at any time after five years from date" (April 8, 1938) thereof, by giving thirty days' notice in writing to plaintiffs. The original term of the contract (five years) was in force not only at the time of filing of this action, on October 25, 1939, but also at the time the Court entered its memorandum order herein, on February 27, 1942 (Tr. 183), and at the date of entry of judgment, March 30, 1942 (Tr. 189).

The right of abandonment, however, was not possessed by Shell in July, 1939 (the date of attempted

cancellation), or at any other date during the contract period. In the face of this, however, defendants, wholly without justification, not only sought to abandon the contract and its obligations by the "Notice of Cancellation" of July 6, 1939 (Exh. D), but also simply *refused* to perform the covenant, diligently to attempt to sell Core-Min-Oil. This is clearly a breach of contract, unjustified in the record and unjustifiable upon the facts here, and one for which relief is here sought, but for which relief was denied by the trial court in what is in this appeal urged to be gross error in the light of the record.

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**ISSUES AS DEFINED BY DEFENDANTS.**

In their brief, at page 8, et seq., defendants define what they construe to be the issues of this proceeding. Tabularly stated, these are:

- (1) Breach of confidential disclosure;
- (2) Prejudice of the trial court;
- (3) Errors of ruling assigned with reference to the trial court;
- (4) What is described as the "principal question", namely—that Core-Min-Oil "is unmarketable and useless for practical foundry operations".

**CONFIDENTIAL RELATIONSHIP.**

Defendants say that the issue of confidential relationship was the subject of "not a scintilla of argument in appellants' brief", and that "these alleged errors should not now be considered by this Court" for that reason.

Apparently defendants totally overlooked that portion of plaintiffs' opening brief (p. 41) where the issue of breach of confidential relationship is fully stated, and it is shown that the contract, Exh. B, in section 23 provided as follows:

"Peck and Ruddell and Shell Oil, its affiliated, subsidiary and parent companies, agree that they will use their best efforts to prevent information concerning the formula of Core-Min-Oil and its method of manufacture from being obtained by unlicensed third parties."

In the face of this obligation to maintain confidence, defendants widely broadcasted detailed information of Core-Min-Oil in all its forms, together with complete technical foundry data thereon, to a wide variety of firms and to at least two individuals, J. C. Van Eyck, of London, and D. Pyzel, of New York, not in privity with the parties. (See, for example, lists of distribution at the end of Exhs. 53 and 54, Tr. 1648 and 1682.)

This point is not abandoned, but is repeated here. The effect of violation of a contract of confidence is well known in the law and one which imposes the most serious of duties upon the recipient of the confidence and gives rise to extreme measures of relief for violation.



The plaintiff Ruddle at Tr. 276 fully discussed the confidential character of the disclosures he made to the Shell executives. In the light of this testimony we believe the statements made by Judge Lindley in the case of *Allen-Qualley Co. v. Shellmar Products Co.*, 31 F. (2d) 293, aff'd 36 F. (2d) 623, are particularly apropos:

“The question is not one of contracts, of patents, or of professional conduct of counsel. It is a question of the validity in equity of the acts of defendant in receiving in confidence, pending making contractual relationship, under an agreement to treat the same as confidential, a disclosure of the plaintiff’s secrets, using such disclosure to locate a patent, directing its machinist to make a machine like plaintiff’s machine, procuring an assignment of patent it claimed covered the alleged invention, and refusing to account to plaintiff. *It is not necessary that defendant should have adopted plaintiff’s machine in all its aspects.*

\* \* \* \* \*

“The machine has probably been improved upon, but plaintiff’s structure was the foundation for defendant’s machine.

“It is well established that equity will enjoin the use and disclosure of trade secrets, such as processes, formulae, and inventions learned in confidence.”

See also:

*E. I. Du Pont de Nemours Powder Co. v. Masland*, 244 U. S. 100, 61 L. Ed. 1016;

*Board of Trade of Chicago v. Christie G. & S. Co.*, 198 U. S. 236, 49 L. Ed. 1031;

- Vulcan Detinning Co. v. American Can Co.*, 72 N. J. Eq. 387;  
*Vulcan Detinning Co. v. Assmann*, 173 N. Y. S. 334;  
*Booth v. Stutz*, 24 F. (2d) 415;  
*Thum Co. v. Tloczynski*, 114 Mich. 149, 72 N. W. 140;  
*Hoeltke v. C. M. Kemp Mfg. Co.*, 80 F. (2d) 912.

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#### ERRORS OF THE COURT.

Defendants state that plaintiffs' brief "is entirely silent" as to any discussion of the errors assigned against the Court by way of prejudice in point on appeal 21 (Tr. 1536) other than "the bare statement appearing on pages 6 and 7 of appellants' brief" with regard to the point, and that defendants, therefore, will not devote any time to the subject in their brief. Defendants go on to say (defendants' brief, p. 9) that they consider these points to have been abandoned, and that, therefore, these errors will not be argued.

Appellants expressly hereby reiterate the assignments of error by way of prejudice and ruling, set forth in points on appeal 21 to 39, and repeat the charge made in their opening brief, at pages 6 and 7, that the trial court committed gross error and exhibited prejudice against plaintiffs at the trial of this cause. Plaintiffs are not expanding this brief to labor each of the statements of the trial court evidencing prejudice, but are content, in this regard, to rest upon the record itself and upon plaintiffs' opening brief

where these errors are point by point tabulated by reference to a list thereof set forth at page 1636 of the transcript. Plaintiffs believe that the prejudice of the trial court is so clear that it will be fully apparent to this Court in the course of reading of the record, and therefore, in order to keep this brief within reasonable bounds, feel justified in resting the argument on this phase of the case without further debate in this memorandum.

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**THE DEFENSE OF UNMARKETABILITY AND USELESSNESS  
OF CORE-MIN-OIL.**

This last point, urged by defendants as the principal question before this Court, is conceded by plaintiffs to be just exactly that, and to be the primary basis upon which gross error of the trial court is assigned herein. This point has been fully argued in plaintiffs' opening brief, in a position directly contrary to that assumed by defendants, and is further argued, *supra*. Wherefore, the issue is passed without separate comment at this stage of the instant memorandum.

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**DEFENDANTS' ARGUMENTS OF LIMITATION IN  
TERMS OF THE CONTRACT.**

The basic position of defendant Shell Oil in this proceeding is that while it did agree diligently to attempt to market Core-Min-Oil, this obligation does not entail to any other product than the original form of Core-Min-Oil, as, for example, the forms found to



be successful and marketable as reported in Exh. 54. Defendants argue that the attempt to sell Core-Min-Oil in its original form is exonerated by the inherent uselessness of that product, and that even though marketable, the contract is so limited that defendants cannot be compelled to market any modified form of Core-Min-Oil under the contract.

The first named issue, the alleged want of utility of Core-Min-Oil in its original form, has been fully considered, *supra*, and in plaintiffs' opening brief. Suffice it to say at this point that Core-Min-Oil in its original form was admitted to be superior to any market core oil for use in cores to be baked in ovens free of CO<sub>2</sub> or under conditions where gases of combustion were kept from the cores during the baking operation. (See Exhs. F-1 and F-2, and particularly Tr. 42, 43 and 54.) No valid excuse has been given, nor can any be created to justify the lack of performance of the contract by defendant Shell Oil insofar as the original form of Core-Min-Oil is concerned. The product had a definite market, possessed known utility upon the findings of defendants themselves (Exhs. F-1 and F-2), and, by the terms of the contract, it was incumbent upon defendants diligently to attempt to market the product. Defendants admit (defendants' brief, p. 7) that they never attempted to sell even a single gallon of this product, or, for that matter, of any other form of Core-Min-Oil. The breach in this regard is clear and the failure of the trial court so to find is, it is urged here, reversible error.

Defendants argue that even though the modified form of Core-Min-Oil, so successfully tested, as set forth in Exh. VV, was found to be "ready for sales promotional work", in the manner described in Exh. 54, they could not be compelled under the terms of the contract to make any effort to market the product. Defendants necessarily do not deny that any sale of such a product would carry an obligation to pay royalty to plaintiffs under paragraph 7 (Tr. 19) of the contract, Exh. B.

Defendants contend, however, that while the obligation to pay royalty is unlimited as between one form or another of Core-Min-Oil, or any other composition for foundry use, the obligation of paragraph 2 is confined to Core-Min-Oil, "as covered by Peck and Ruddle patent applications or later patents". The exact language of paragraph 2 is as follows:

"Shell Oil shall diligently attempt to sell Core-Min-Oil and other compositions for foundry use as covered by said patent applications or later patents." (Tr. 18.)

It is to be noted that the provisions of the paragraph are directed to two different classes of products—Core-Min-Oil, on the one hand, and compositions for foundry use, on the other. Insofar as this precise language is concerned, the modified forms of Core-Min-Oil, set forth in Exh. 54 and defined by defendants as Core-Min-Oil in Exh. VV, are both within the definition "Core-Min-Oil" and "other compositions for foundry use". The products falling within this paragraph are limited, however, by two disjunc-

tive provisions, namely, that the products to which the term of diligence apply must be "covered by said patent applications", referring to the Peck and Ruddle applications set forth in the preamble of the contract, or by "later patents". The words "or later patents" are not limited to a Peck and Ruddle patent or to any other particular patent, but merely provide that Shell must diligently attempt to sell any products coming under the contract, and all forms of Core-Min-Oil were obviously created under the contract in the eyes of defendants themselves in view of the statement at page 5 of their brief, that all of the time and money spent between April, 1938, and July, 1939, was spent under the contract—it being during that period that the modified forms of Core-Min-Oil were developed. The words "or later patents" refer to these products in any patentable aspect, as might eventually prove to be the case, "later" meaning subsequent to the date of contracting. Plaintiffs are not fully informed as to what may be pending in applications for patent filed by Shell Oil on the modified forms of Core-Min-Oil, but can point to the Anderson Patent, Exh. 57, as a "later patent", covering these modified formulations, thereby bringing the modified forms within the diligence clause.

Defendants' entire position can be stated as being, that while they are compelled to account under the contract for royalty on any core oil or other composition for foundry use sold by them, defendants have no obligation to sell anything but the original form of Core-Min-Oil. In the light of the foregoing inter-

pretation of paragraph 2—the only fair interpretation that can be given to this section—Core-Min-Oil, in whatever form it may take and certainly in its admittedly most saleable form as described in Exhs. VV and 54, must be offered to the market by defendants, and defendants must exert every diligence to attempt to sell the product. As in the case of the original form of Core-Min-Oil, defendants admit (defendants' brief, p. 7) that "during all of the time that Shell was engaged in its work with core oils of *any* type or description, they never sold a single gallon". In the testimony, defendants went further (Tr. 70, 72, et seq.) and admitted no attempt was made to sell even so much as a single gallon of Core-Min-Oil. These failures on the part of defendants cannot be exonerated by any limitation they may attempt to make on the terms of the contract, for the contract is clear and deliberate in its phraseology and includes, as it was obviously designed to include, in every clause Core-Min-Oil in whatever form the product might take. The tortuous argument to limit certain clauses of the contract, appearing in defendants' brief (pp. 11 to 18) must, it is urged, be given no weight in this appeal, but must be regarded as merely a further effort on the part of defendants to escape obligations voluntarily sought by them and presumably undertaken in good faith.

**DEFENDANTS' "EXPERT" TESTIMONY BASED ENTIRELY  
ON EX PARTE EXPERIMENTS.**

As has been previously noted, the only testimony offered by the defendants, beyond that of employee witnesses who attempted to testify contrary to previous reports made by them *ante litem motam*, was that heavily relied upon in defendants' brief and given by the professional expert-witness Dietert. Mr. Dietert offered a mass of evidence purporting to establish a want of utility, from a core-making standpoint, of Core-Min-Oil in any form. Irrespective of the fact that this evidence was in direct conflict with defendants' own reports of record (for example, Exhs. QQ to XX, and 54, 55), the work of Dietert is, under the common practice of courts, entitled to little or no weight in a proceeding of this sort, particularly insofar as it conflicts with testimony of a factual nature relating to actual practice, as was the testimony of plaintiffs' witnesses Goth and Anaclerio (Tr. 566 and 596). Mr. Dietert admitted that all of his work was conducted outside of the presence of plaintiffs and without notice to plaintiffs. During his cross-examination, Mr. Dietert said:

“Q. There was no representative of plaintiff, or Messrs. Peck or Ruddle, present at these experiments that you have conducted and you have talked about in your testimony, was there?”

A. No.” (Tr. 795.)

In *Bemis v. Stevens & Bros.*, 177 F. 717, at 721, the court said:



“I give no weight to complainants’ experiments made in the absence of defendants. Such attempts at making evidence are not to be encouraged.”

See also:

*Chadeloid Chemical Co. v. Wilson Remover Co.*, 220 F. 681, at 682;

*Rynear Co. v. Evans* (C.C.), 83 F. 696;

*Plunger Elevator Co. v. Standard Co.*, 165 F. 906;

*Bethlehem Steel Co. v. Niles*, 166 F. 888;

*Wigmore on Evidence*, 2nd Edition, Vol. 3, p. 61.

In this case it is unnecessary to look beyond the language of defendants’ counsel for a characterization of the inadmissibility of *ex parte* tests.\*

Contrasted with the testimony of Dietert, that Core-Min-Oil was valueless (Tr. 700-2), and in direct conflict therewith, is the testimony of the witnesses Goth and Anaclerio, both disinterested witnesses and both foundry workers of many years’ experience at the Macauley Foundry Company, in Berkeley, California (Tr. 567 and 596). For example, Mr. Goth made the following comments about Core-Min-Oil:

“Q. What would you say, as a coremaker, was the kind of a core that was produced by this product?”

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\*Plaintiffs take the position that *ex parte* tests are admissible but entitled to little weight. Defendants’ counsel successfully objected to the introduction of cores by plaintiffs on the ground that they were the product of *ex parte* tests and were inadmissible (Tr. pp. 573, 589).

- A. I think Mr. Ruddle's was a good core.
- Q. What did it look like in comparison, say, with other cores?
- A. It was smoother.
- Q. What kind of core oil were you using in 1937 in the Macauley plant?
- A. Using Houghton.
- Q. How did Mr. Ruddle's cores compare with those made with Houghton oil?
- A. Practically the same thing.
- Q. Were any of the Ruddle cores ever used to make castings?
- A. Oh, yes, lots of them.
- Q. Did you see the castings after they were made?
- A. Oh, yes.
- Q. What kind of castings came off the Ruddle cores?
- A. Good castings.
- Q. Have you any samples of cores made with the Ruddle product?
- A. Yes." (Tr. 572-3.)

There was then offered in evidence, at Plaintiffs' Exh. 39, a typical core made by the witness, illustrative of the satisfactory foundry application of Core-Min-Oil. This core was not admitted in evidence, objection thereto being sustained by the court, wherefore the same was marked for identification (Tr. 589). The core in question (Exh. 39) is still before this Court, having ultimately been admitted in evidence on re-offer (Tr. 608), and may be observed by your Honors to be in its original and superb condition, ready even today for a casting operation just as it was at the time of trial, over two years ago.

“Q. Did you make Houghton Oil cores for those large cylinder heads, Hall-Scott cylinder heads?”

A. Yes; those are made in the morning, and use those boxes at night again. You see, I tried that sand on aluminum boxes and I tried it in aluminum driers. Then I tried it in redwood boxes, mahogany boxes, some painted, some unpainted, some shellacked, and some other things we have there.

Q. You are referring to the Ruddle product?

A. Yes.

Q. How did it work under those conditions?

A. It worked all right.

Q. That was on these large heads. How did the Ruddle product work on small articles?

A. It worked the same way. You see, I will have to explain something to you again now. With the Houghton Oil, when we make a cylinder head, we use maybe three different kinds of sand—stronger, weaker, and stronger at different points. But the Ruddle sand, we use the straight sand all the way through.

Q. Just use the one kind of sand?

A. Yes, all the way through.

Q. And, as I understand, you got as good a product with the Ruddle Solution?

A. Yes; those were all test articles.

Q. Were castings poured with those cores you have just mentioned?

A. Oh, yes.

Q. And how did those castings come out?

A. They were all right.

Q. Did you examine them?

A. Yes, we broke them up and everything else, to see how the jackets were inside, and everything.



Q. How were they?

A. All right.

Q. What do you mean by 'All right'?

A. All right means there were no burning spots in them, no blowholes." (Tr. 582-3.)

\* \* \* \* \*

"Q. Were you present at any time after the castings were made when attempts were made to get the Ruddle core sand out of the casting?

A. I was on two occasions in the shipping room, where I helped to break up one of the castings to see how it was inside.

Q. How did the Ruddle product come out?

A. It came out all right.

Q. Did you have any trouble with it sticking in the casting?

A. No.

Q. Did it work in that respect as well as the Houghton Oil sand?

A. Yes; it ran out just the same." (Tr. 584-5.)

\* \* \* \* \*

"Q. Did you make any comparison of the baking time of Ruddle cores and cores made with Houghton Oil?

A. Well, the only comparison you can take with that, now, that core that was there, with Houghton Oil—

Q. You refer to this core for identification here, Exhibit 39?

A. Yes. With Houghton Oil, under 550 degrees of heat, that would take about 45 minutes to dry thoroughly through.

Q. How long did this core take to bake, if you know?

A. I had to bring the oven down, shut the fires off; 25 minutes with no fire in it.

Q. What was the temperature?

A. 150; maybe less than that—just enough heat in it to dry it, that is all.

Q. Would you be able to use the Ruddle core oil which you have testified about here, the asphalt product, in regular production in your plant, in your opinion as a core-maker?

A. Well, you would have to get something about drying that—you would either have to have an electric oven—you couldn't use it with an open flame."

(Goth's testimony, Tr. 594-5.)

The witness Anaclerio, a companion core-maker at the Macauley Foundry Company, Berkeley, California, of the witness Goth (Tr. 597), testified with reference to two cores, Exhs. 42 and 43, made by him (Tr. 605):

"Q. Is this a completely dried core, this Exhibit 43 for identification?

A. Yes, it is.

Q. Is this core ready, now, to be used to make a casting?

A. Yes.

Q. How does this core, Exhibit 43 for identification, and how did the core, Exhibit 42 for identification, compare with cores made with Houghton Oil?

A. Well, how do you mean, 'compare'?

Q. Well, as to usefulness for casting purposes.

A. Well, personally, for drying the boxes off, I think it is much easier.

Q. How about casting?

A. It makes a nice little casting.

Q. Have you any casting that was made on any of these cores?

A. Yes, I had one made, which is down there (indicating).

Q. You have the casting here?

A. Yes.

Q. Did you make the core from which the casting was made?

A. Yes, I did." (Tr. 605.)

\* \* \* \* \*

"Q. Is this the casting?

A. Yes, that is it.

Q. That was made from a core made by you, you said?

A. Yes.

Q. What kind of a core, like Exhibit 42?

A. The same thing there. That is the core there.

Q. That same type?

A. Yes.

Q. Made with the Ruddle product?

A. Yes.

Q. Are all these cores that you have produced, and the core from which this casting was made, made with that Ruddle product as you have described?

A. Yes." (Tr. 606.)

\* \* \* \* \*

"Q. Did you see the casting after it was poured and when the core was about to be taken out?

A. Well, the sand just ran right out of it.

Q. Did you see that done?

A. It wasn't taken out; it ran right out.

Q. Is that the way a good core should act?

A. Sure. Get a bum core and it will stick all over, and it will be rough inside.

Q. Do you know whether or not this is a good casting?

A. It is a perfect casting. Uncle Sam uses them, so I think they are all right.

Mr. Hackley. I will offer as Plaintiffs' Exhibit 44 the casting identified by the witness." (Anaclerio's testimony, Tr. 607.)

As to comparative baking time between cores made with Core-Min-Oil, on the one hand, and Houghton Oil and linseed oil, on the other, two of the leading core oils on the market, the witness Anaclerio said:

"Q. How long did it take to bake this core?

A. About 10 minutes.

Q. And this is the core that would take an hour and 45 minutes or so to bake?

A. Yes.

Q. Did you ever work with linseed oil in making cores?

A. Yes.

Q. Do you know how long it would take to bake Exhibit No. 39 with linseed oil?

A. I would say an hour and a half, an hour and twenty minutes.

Q. Does linseed oil and Houghton Oil act about the same as far as baking time is concerned?

A. About the same, yes." (Tr. 609-610.)

Throughout the testimony given by the witnesses Goth and Anaclerio, the court showed unhesitating bias against the plaintiffs and their case, frequently interrupted the witnesses and favored any position

assumed by the defendant, but most significantly refused at this stage of the proceeding to admit, even for the purpose of illustrating the testimony of the witnesses, the cores and castings, Exhs. 39 to 43. This point will be further covered in an analysis of some of the prejudicial conduct of the trial court, illustrative of the point urged on this appeal that the trial court exhibited bias and prejudice and did not proceed in this matter impartially and with an open mind.

Irrespective of the conduct of the court, however, it goes without saying that we have an unreconciled conflict between the testimony of the witness Dietert, based upon theoretical *ex parte* experiments, and foundry practice, as described by the witnesses Goth and Anaclerio, each with reference to Core-Min-Oil. The latter witnesses, wholly disinterested in the proceeding and merely called as foundry workers, is to the effect that Core-Min-Oil was a highly successful, extremely desirable, and superior core oil to Houghton Oil and linseed oil, popular market products. The Dietert testimony is exactly the opposite, it being Dietert's position that Core-Min-Oil was entirely useless and of no commercial value (Tr. 700, 702).

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**BIAS, PREJUDICE AND WANT OF IMPARTIALITY  
DISPLAYED BY THE TRIAL COURT.**

It is with profound regret that plaintiffs were impelled in their opening brief (pp. 6-7) and in the points on appeal herein (Point 21, Tr. 1536) to assign

bias and prejudice to the trial court, and to state that plaintiffs truly believe that in the premises they have secured less than a full, fair and impartial hearing. The element of bias and prejudice is particularized in the points on appeal, 21 to 39, inclusive (Tr. 1536-39), and were reaffirmed by way of emphasis in the above noted portion of plaintiffs' opening brief. Defendants renew the issue by stating, at page 9 of their brief, that "the lower court was eminently fair and impartial to both sides".

At page 1536 of the transcript are tabulated on a page-by-page basis on point on appeal No. 21, the instances of improper judicial conduct assigned to the trial court, and on pages 1536 to 1539 are particularized errors of ruling by the court.

The trial court apparently regarded itself as an extrajudicial expert on the subject of core oils and core-making, as well as foundry practice generally, as a consequence of what the court frequently described as his earlier experience as a core-maker and foundryman. The only effect of such a view on the part of the court was to incite the court to regard all evidence in the eyes of his purported historic knowledge of the art. With such a state of mind, the court consistently took the position that beyond what he had learned in his youthful experiences in foundry work, nothing could be said to have occurred to advance the state of this highly technical art. Such a view is certainly unjudicial as well as gratuitous, and one which hardly is conducive to an impartial



and judicial approach to the technical issues involved in this action.

To particularize, your Honors are referred to the following statement made by the trial court by way of interruption of plaintiffs' opening statement of the case:

"The Court. I will say for the benefit of both sides that I started as a coremaker, and so I think probably that will be a warning to both sides getting reckless. I know just exactly, in a measure, how cores are made and what oils were used even in my days many years ago. So proceed with that, gentlemen. I have the benefit of the experience." (Tr. 212.)

Apart from the foregoing, and evidencing bias and prejudice, are the following typical examples of the language uttered by the trial court, usually gratuitously and rarely apropos of any issue under consideration. For example, during cross-examination of defendants' expert, the trial court intervened in the following manner:

"Q. If I came into your foundry with a core oil that I could prove to you was equal in every way, we will say, to linseed oil, and that cores made with that oil baked in less time than the core oil you were now using, would I be offering an attractive product to you?

A. If that was possible, yes.

The Court. Let's not deal with possibilities; let's proceed, gentlemen.

Mr. Hackley. Your Honor, that question is directed right to the very heart of this action.

The Court. That is your theory of the case, but *the Court does not agree with you.*

Mr. Hackley. I don't want to be arguing the case in the middle, your Honor, because I can tie these things together, I think.

The Court. *I am anxious to get through; that is the only thing I am anxious about in this case.*" (Italics ours.) (Tr. 782.)

At another point, by way of volunteering an intra-trial committed viewpoint as to the comparative merits of Core-Min-Oil with other products on the market, we find the following:

"The Court. That is the only reason I wanted to ask the question. Here are seven brands about which I know nothing. They are commercially on the market. We are here discussing an oil that may do it in half the time, *which is erroneous, after all. It may or may not, I don't know.* But I asked him in relation to oils that are on the market, and the differential between those oils in drying time." (Italics ours.) (Tr. 779.)

Then, with reference to one form of Core-Min-Oil, which was demonstrated as useful in gas-free ovens or under conditions where the gases of combustion could not reach cores in baking, the court said, indicating total bias against this salient point in plaintiffs' case, as well as a preconceived state of mind:

"Q. And you were satisfied that the cores made with Core-Min-Oil in the presence of carbon dioxide were valueless, if I understand you, as cores?

A. That is true.



The Court. Am I wrong, Mr. Hackley, in making the statement that your own witness so testified?

Mr. Hackley. And we concede that to be true.

The Court. Then why spend the time on it?

Mr. Hackley. I was particularly interested to find out how this witness determined it, or why he wasted any time on it, because after all, we have never contended that that was not true.

The Court. I didn't indicate that he wasted time; *I indicated that you are wasting your time.*" (Italics supplied.) (Tr. 774.)

In dealing with the subject of core baking equipment, for which the original form of Core-Min-Oil was peculiarly suited, and to the market for which defendants had refused to perform the terms of the contract, Exh. B, the court volunteered:

"Mr. Hackley. Q. You are not familiar, therefore, with their electric oven equipment?

Mr. Aurich. I object to that as assuming facts not in evidence; no evidence that that company has electric ovens.

Mr. Hackley. I am asking the witness if he knows, your Honor.

The Court. I don't know, but I doubt if there is a steel plant in America that has electric equipment.

Mr. Hackley. Well,—

The Court. I say that advisedly, so that we may get along with this case, and I will say further that on the electrical equipment here, on the showing made, unless you can make some showing yourself, or answer to the showing that is made, we are just wasting our time, and I don't

waste anybody's time without telling them about it." (Tr. 765.)

\* \* \* \* \*

"The Court. I can understand that there are plants specializing in this sort of—that have cores as big as a milk bottle—a small core, or something else, but beyond that, for production purposes, it is nil; it doesn't exist. I am only giving you the benefit of my own knowledge. Now, I may be in error about it, but if I am, you may make any showing to the contrary. That is an issue in this case. Proceed to do it if you can.

Mr. Hackley. I am in a position to do it. It is just a question of how promptly it can be done with reference to this—

The Court. We are going into our second week in this case, gentlemen, and we can't proceed with pamphlets you pick up, or any advertising matter that some concern may have to dish out their wares to the gullible public. That will not get us anywhere in this case. Now, let's proceed. I want to refrain from commenting on these matters, but it is my duty to see that we move along here, and I propose to do it." (Tr. 766-7.)

and further:

"Q. Have you ever known of one, to your knowledge today?

The Court. Do you know one?

Mr. Hackley. Yes, I do, your Honor.

The Court. Who?

Mr. Hackley. I have a long list of them right here; right here in San Francisco Bay, the Yuba Gold Dredge Company, which uses nothing but

electric ovens, at Benicia. Down in Los Angeles——

The Court. Wait a minute; wait a minute. The Natomas Company?

Mr. Hackley. No. The Yuba Consolidated Goldfields have a foundry at Benicia. At that foundry they have electric ovens.

The Court. Just a minute, now.

Mr. Hackley. Yes, your Honor.

The Court. You are rather reckless in your statement. If there are a half-dozen of men working at Benicia with an electric oven, I am misinformed. I am going beyond this record. The only reason I am saying that is just to have you realize that you are making some statements that won't be justified. The Yuba Company, as a matter of fact, had suspended their foundry end of it for years. They may be operating now; I do not know. (Tr. 676-7.)

\* \* \* \* \*

The Court. I would be glad to hear what he has to say. I sit here and hear so many reckless statements made from day to day." (Tr. 678.)

It was at this point in the testimony that the trial court interrupted the witness on the stand, J. F. McSwain, the manager of the Asphalt Department of defendant Shell Oil, called as an adverse party by plaintiffs and upon the invitation of defendants' counsel, listened to unsworn statements of the man who later proved to be defendants' expert witness, Harry W. Dietert. In this leading colloquy conducted by the court, in what is submitted to be clearly preju-

dicial manner, and in language exhibiting profound bias and predisposition, the following occurred:

“The Court. Are you familiar with the firms that were mentioned here?

Mr. Dietert. I am with some, yes.

The Court. Tell me about these electric furnaces. *They were so expensive in my day they couldn't consider them.*

Mr. Dietert. They are still in the same category, your Honor.

The Court. That was 40 years ago.

Mr. Dietert. Yes, and they are today. You can find them, it is true.

The Court. *In isolated cases?*

A. That is right.

The Court. *And on a small scale, on small cores.*

Mr. Dietert. They have a fairly large one at General Electric at West Linn.

The Court. You know, I worked with the General Electric at Schenectady.

Mr. Dietert. I did not know that, your Honor.

The Court. Oh, yes. That is the reason I can't sit idly by here and listen to what I have listened to in the last few days and mislead anyone. I hope that I never get so judicial that I try to mislead anyone at all. This record would be a record for anybody to read that thought he knew something about the foundry business, or cores, or core-making. It is food for thought.' (Tr. 679.)

\* \* \* \* \*

“The Court. This sort of procedure is not known in our Federal Courts, but I do this for the benefit of those who may have an interest to

come here. I can't get away from it. Our function is to try and do the thing that we are expected to do. Thank you for your information. *I was wondering if I was wrong.*

Mr. Aurich. I may say, your Honor, Mr. Dietert is going to be an expert on behalf of the defendants, to tell us all something about the art of core-making.

Mr. Hackley. I might say in this list I have here, your Honor, alone, there are 12 foundries all using electric ovens, which are named. I can't tell your Honor how large or small they are, but I have heard of such ovens.

The Court. There is sufficient here to have you now not waste your time further. Proceed." (Tr. 680.) (Italics supplied.)

The significance of the bias of the court in the foregoing statement is that it was directed to a report, Exh. 54, which had previously been read and exhibited to the court, and which declared Core-Min-Oil in its most highly developed forms to be ready for foundry production (Tr. 668-9), as well as for patenting (Tr. 669), thus bringing it within the term "later patents", the subject of the diligence clause, paragraph 2 of the contract, Exh. B (Tr. 17), and again the court said:

"The Court. Who had any core experience in this case? What is your thought of a good core?

Mr. Hackley. My personal thought?

The Court. Yes.

Mr. Hackley. I think it was defined by this witness who was on the stand this morning, or the two witnesses, I should say; I think they know a

good core—a core which will have a good, hard surface, for the purpose of making a casting; be smooth, produce a smooth casting.

The Court. This electric furnace was not used in casting.

Mr. Hackley. Not a casting; a core, yes. He testified he made cores.

The Court. A core can't be tested until a casting is made.

Mr. Hackley. Not on these particular cores.

The Court. Why inject this electric process in here? What relation has it to the case or to the issues involved?

Mr. Hackley. It is just one of the types of furnace.

The Court. I can say to you, so you will understand it and know it clearly: *It is the Court's thought it has no relation to the issues here involved, and will not be considered by this Court for any purpose.*

Mr. Hackley. If it would be helpful to the Court, I will tell you what my theory was of it; if not, I won't waste the time of the Court.

The Court. Don't waste the time of the Court." (Italics supplied.) (Tr. 646-7.)

In a colloquy raised in one of the numerous debates between the court and plaintiffs' counsel, initiated by interrogation of counsel by the Court, the transcript reads as follows:

Mr. Hackley. Any time I could bake in a third of the time I would think I had an advantage.

The Court. That would be a good thing to dream about, but it is not practical—doesn't work out in practice, and there are men who have been



at the foundry for a good many years; they ought to know more about it than we do here.

Mr. Hackley. The word I would prefer to accept on it is that of these men who came right out of the foundry the other day and said they really baked it in a third of the time.

The Court. We are talking now about a trade, about an activity going on all over the country.

Mr. Hackley. I would assume that if it would bake in a third of the time in Alameda County it would bake in a third of the time anywhere.

The Court. That is no answer to the seven leading brands used commercially." (Tr. 780-1.)

These examples of the predisposed state of mind of the court, his continual prejudice against plaintiffs' case, his refusal to permit plaintiffs to introduce evidence designed to present their case, as well as the court's continual imprecations to shorten the trial, in the light of the fact that the court had made up his mind, could be cited without end and are readily observed from a reading of the record, but, as stated, *supra*, are tabulated in point on appeal No. 21 (Tr. 1536).

Indicative of a lack of impartiality is the method of treatment of plaintiffs by the court in the matter of introduction of physical cores illustrative of the testimony of certain witnesses. During the testimony of the witnesses Goth and Anaclerio (Tr. 566, et seq. and 595, et seq.), the court refused to admit into evidence cores prepared by these witnesses on the ground that they were a product of *ex parte* tests (Tr. 576-7),

and specifically refused to permit introduction of the evidence, although it was offered as *illustrative* of the testimony of the witnesses. For example, at Tr. 573 and 574, the following occurred:

“Mr. Aurich. I object to this line of examination, your Honor, in that this core is evidently made by someone out of the presence of defendants, and as a result of *ex parte* tests to which the defendants were not invited, nor were any of their representatives.

Mr. Hackley. These are not in the nature of tests, merely to illustrate the witness’ testimony of what he refers to as a Ruddle core, and he will describe the making of that core, I assume.

The Court. The objection will be sustained.” (Tr. 573-4.)

Yet, while defendants were presenting their case, and in a space of less than 24 hours, the court admitted cores made by the witness Dietert, with the gratuitous observation that the evidence was proper to *illustrate* the testimony of the witness.

“Mr. Hackley. I object to the offer in evidence of the sample on the ground that it does constitute an *ex parte* test without notice to the opposite party.

The Court. It illustrates this witness’ testimony.

(The core referred to was marked Defendants’ Exhibit DD in evidence.)” (Tr. 738.)

Finally, and indicative of the attitude of the court, even toward counsel, during the trial is this typical example:

“Mr. Hackley. Your Honor, I think it is a proper type of examination. I do not intend to impose myself upon your Honor in that connection.

The Court. I think that it is a habit. Read the question, Mr. Reporter. There is no question in the Court’s mind at all.” (Tr. 326.)

Plaintiffs urge that the conduct of the trial court was such that plaintiffs were not afforded a fair and impartial trial, and that the court exhibited in this connection bias and prejudice against plaintiffs. The bias and prejudice are based upon the general conduct of the court, and the court’s consistent maltreatment of plaintiffs, as well as the predisposition of the court and foreclosed state of mind adverse to plaintiffs’ position, evidenced throughout the trial, and as illustrated in the above quoted language of the court.

While the rulings of the court are evidence of such bias and prejudice, the rulings of the court are separately considered and are not, as such, the basis of the charge of bias and prejudice. It is necessary, in order to establish a want of fair trial that the court exhibit by its conduct more than error in ruling, for that is separately appealable.

As this Court pointed out in *Walker v. United States*, 116 F. (2d) 458, at 462:

“It is clear, however, that ‘the bias or prejudice which can be urged against a judge must be based upon something other than rulings in the case’.”

See also:

*Berger v. United States*, 255 U.S. 22, 31, 41 S.Ct. 230, 232, 65 L.Ed. 481;

*United States v. Flegenheimer*, 14 U.S. 584.

In *Whitaker v. McLean*, 118 F. (2d) 596, the court stated:

“But a right to be tried by a judge who is reasonably free from bias is a part of the fundamental right to a fair trial. If, before a case is over, a judge’s bias appears to have become overpowering, we think it disqualifies him.”

In discussing applicability of Section 21 of the Judicial Code (28 U.S.C.A. 25), the 10th Circuit Court of Appeals, in *Mitchell v. United States*, 126 F. (2d) 550, 552, said:

“The purpose of this section is to secure for all litigants a fair and impartial trial before a tribunal completely divested of any personal bias or prejudice, either for or against any party to the proceedings, and it is the duty of all courts to scrupulously adhere to this admonition and to guard against any appearance of personal bias or prejudice which might generate in the minds of litigants a well-grounded belief that the presiding judge is for any reason personally biased or prejudiced against their cause.”

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### CONCLUSIONS.

In summary, it is said, this is a simple case arising in equity and upon a contract relationship between the parties. Plaintiffs discovered valuable improve-

ments in the manufacture of core binders for use in foundry production of cores and ultimate castings, a major industrial art in this country and throughout the world, in times of peace and, even more, in times of war.

Vesting confidence in defendants, and with the protection of contract, after defendants had an adequate period of investigation, plaintiffs gave to defendants exclusively the rights to enjoy and market plaintiffs' disclosures in the original form, or in such form as defendants might elect. The contract was entered into at the instance of defendants and over draftsmanship of defendants' counsel.

The contract, carrying out previous negotiations, invoked defendants to retain in confidence, and to commercialize only pursuant thereto the disclosures received and the subject matter of the instrument. The contract permitted to defendants a preliminary option term for further investigation of the subject matter and an opportunity to desert the bargain within the option time without penalty. Defendants exercised the option and undertook to perform the covenants of the agreement, including primarily the covenant "diligently to attempt to sell" the subject matter of the agreement.

Instead of fulfilling this bargain, defendants spent a year and one-half, of the initial five-year term of the agreement, in seeking to discover ways and means of improving upon plaintiffs' original core oil formulae, and in further investigation of patentability of the several and joint discoveries of plaintiffs and

defendants, all within the scope of the instrument. At the conclusion of this period, defendants, having in hand a product reported by them to be superior both as to function and price to any competitive core oil on the market, and wholly without contractual right, attempted to cancel the contract "for lack of consideration" to escape into the highly profitable and gigantic core oil market, free of the burden of royalty to plaintiffs, imposed by the contract, with a form of core oil incorporating in part disclosures of plaintiffs and in part improvements thereon developed by defendants during the period of contract.

Defendants, having failed, without just cause, to perform the contract, and refusing to perform, compelled plaintiffs to bring this action to seek equitable relief in the form of specific performance, damages, and an accounting. In spite of the uncontrovertible facts of record in the premises, the trial court denied all relief to plaintiffs and, in effect, decreed cancelled the original contract between the parties. To relieve the injustice thereby imposed upon plaintiffs, in plaintiffs' view, plaintiffs have brought this appeal, seeking to secure from this Honorable Court a reversal of the decision of the lower court or, based upon the utter want of a fair trial in the lower court, a new trial.

Dated, San Francisco,  
January 26, 1944.

Respectfully submitted,  
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